



SENATE TAXATION

EXHIBIT NO. 7

DATE 3-5-2013

BILL NO. 295

March 4, 2013

Senator Bruce Tutvedt
Chairman, Senate Tax Committee
Re SB 295

Dear Chairman Tutvedt and Committee Members,

I am writing you today on behalf of Oasis Petroleum Inc. to encourage the Committee to recommend "do not pass" for the referenced SB 295 proposing to eliminate the current Drilling Incentive for new wells drilled in Montana. Oasis has been one of the most active Operators in Richland and Roosevelt Counties in the past few years, attempting to push the Williston Basin Bakken development westward into Montana. Thus far our success has been limited to a fairly narrow strip on the very eastern edge of the State. Since 2010 Oasis has drilled over 50 horizontal Bakken wells in those two counties and installed extensive oil, gas and water pipeline infrastructure. We have another 24 wells planned, permitted or waiting on completion. These investments have exceeded \$700,000,000. The reason Oasis has continued its activity in the State despite challenging economics are 1.) We have a large position and it's in our best interests to make it work. 2.) Over time we have refined our drilling and completion techniques and installed oil, gas and water pipeline infrastructure to drive down costs. 3.) We have had the benefit of the Drilling Incentive, which in the case of Bakken wells that have a fairly rapid decline in production over the initial 18 months, has a material impact on well economics. Eliminating the Drilling Incentive, therefore, will have a material impact on our company's future investment decisions.

The Bakken Boom being experienced by Montana has little to do with the number and quality of wells being drilled, but is in fact very real in terms of job creation and demand for goods and services that Montana companies are able to supply to North Dakota. In general, the economic results associated with oil and gas drilling throughout the State has been marginal, and the elimination of the Drilling Incentive sends the wrong message at the wrong time to this industry. You don't have to take my word for it. You can ask the State Oil and Gas Board about the Bakken wells in Montana, or the Shale wells drilled in Central Montana, or the "Canadian" Bakken wells drilled in northwestern Montana – the fact is many will never payout let alone produce a profit. Clearly at a time when Montana is competing with many other States, including North Dakota, for investment by the Oil and Gas Industry, taking away what is perhaps the only competitive edge/advantage that exists is a bad idea.

I regret not having been available to speak with you directly and would welcome the opportunity to do so in the future.

Respectfully,

A handwritten signature in black ink, appearing to be "KB" with a stylized flourish.

Kent Beers, Senior Vice President
Oasis Petroleum Inc.

1000